

27 February 2006

The Manager  
Taxation and Financial Arrangements Unit  
Business Tax Division  
Langton Crescent  
PARKES ACT 2600

By facsimile 02 6263 4466

Dear Sir

**TAXATION LAWS AMENDMENT (TAXATION OF FINANCIAL ARRANGEMENTS) BILL 2006**

We refer to the Exposure Draft (**Exposure Draft**) of the Taxation Laws Amendment (Taxation of Financial Arrangements) Bill 2006 (**TOFA Bill**).

Peet & Company Limited submit that the tax timing rules proposed in the TOFA Bill should not apply to retirement village arrangements covered by Taxation Ruling TR2002/14.

Deferred Management Fees (DMF) are payable by an outgoing resident (or their estate) to the retirement village owner/operator on termination of the resident's occupancy. Such DMF may be calculated as a specified percentage (usually based on the term of occupancy) of either:

- The outgoing resident's total ingoing, or
- A subsequent resident's total ingoing.

In either case, the DMF generally cannot mature into a recoverable debt before the resident ceases to reside in the village. DMF calculated by reference to the subsequent resident's total ingoing generally cannot mature into a recoverable debt until the subsequent resident has entered into an occupancy agreement with the village owner/operator.

Our concern is that the DMF may be caught up in the definition of a 'financial arrangement' and, on that basis, we may be required to recognise some amount of DMF after each anniversary of the commencement of the occupancy arrangement. In other words, the industry considers it totally inequitable for a situation to arise where tax is payable on DMF before there is any legal entitlement to receive it.

We look forward to receiving a favourable response to this submission.

Yours sincerely,

**STEPHEN KENNEY**  
GENERAL MANAGER RETIREMENT HOUSING  
PEET & COMPANY LTD